

January 8, 2017

Issue 17-01

HUD In For Major Overhaul

When President Barack Obama took office in 2009 he outlined his determination to completely transform HUD by concentrating resources primarily on impoverished inner cities.

As Obama prepares to end his tenure, that transformation has been largely realized -- a rewrite of Fair Housing Act regulations to provide strict enforcement of the 1968 law, a move from conventional homeownership to renting and homeownership through federal housing programs, and a move of public housing to public-private ownerships and management.

Most, if not all, of those changes are about to be undone by the incoming Trump administration. President-elect Donald Trump selected organizational experts with business rather than political acumen to unscramble the changes made during the last eight years and develop a blueprint to return HUD to its original mission -- alleviating poverty by providing housing opportunities for the poor and assisting municipal infrastructure development to help ensure stable economic frameworks for cities to thrive.

Trump's first move is to get a deputy HUD secretary in place to run the 8,500-employee day-to-day operation as chief operating officer. That would allow HUD Secretary-nominee Ben Carson, who is the first nominee for the post with no previous administrative experience, the leverage to focus on three or four major changes on the Trump agenda and generate the political environment for the housing policy recalibrations.

Carson likely will concentrate on working with Congress to privatize Fannie Mae and Freddie Mac, the government-sponsored mortgage insurers seized by the Treasury Department in September 2008 to avert insolvency in the wake of the housing market collapse.

Two other issues will be high on Carson's personal agenda -- rescission and likely elimination of the Affirmatively Furthering Fair Housing rule issued in 2015 and the future of HUD's 1.9 million-unit public housing portfolio.

HUD's Office of Fair Housing & Equal Opportunity controls application of AFFH which now places conditions on annual Community Development Block Grant awards to 1,200 cities and counties. The rule requires local governments to rezone neighborhoods along racial and income guidelines as a condition for receipt of the block grants. Trump and Carson have described the rule as government social engineering. Carson could apply the Administrative Procedures Act to

overturn the rule but the process could take up to two years to complete.

Carson's vision is to eventually turn over public housing to local control and allow tenants to purchase their units to get the federal government out of the business of public housing.

Brian Montgomery is a leading candidate for the deputy secretary post and he is no stranger to the lumbering housing bureaucracy, having served as a senior aide to President George W. Bush before becoming Federal Housing Commissioner in 2005, a post he held until July 2009, five months into the Obama presidency.

The HUD transition team likely will go to the housing industry for most of the senior appointments and members of the team are also in line for appointments. Trump is a builder by trade and he is quick to remind audiences of that background.

Among the candidates for appointments are Shawn Krause, executive vice president with Quicken Loans, the largest underwriter of single-family mortgage loans insured by the FHA, and Washington lobbyist Jimmy Kemp, the son of Jack Kemp, who was HUD secretary in the George H. W. Bush administration.

Edward Pinto is another candidate for a senior appointment. Pinto, a scholar with the conservative American Enterprise Institute, is on the Federal Housing Finance Agency transition team.

The FHFA director post could go to Rep. Scott Garrett (R-NJ), an ultra-conservative who was defeated in his reelection bid in November. Garrett has been mentioned as a candidate for FHA commissioner, but *HAL* sources say Trump has his eye on Edward Brady, an Illinois homebuilder, and Debra Still, president and CEO of Pulte Mortgage and former Mortgage

1/5/17 9:33 PM

Housing Affairs Letter is an independent news service. ISSN # 0018-6554. For more information, go to www.cdpublications.com or call 1-855-237-1396 or email info@cdpublications.com. Subscription rates begin at \$399/year. Sharp discounts are available for multi-year and multi-user subscriptions. Unauthorized reproduction and/or providing access to unauthorized users are violations of federal copyright law.